

WHITE PIGEON SANITARY SYSTEM
WHITE PIGEON, MICHIGAN

FINANCIAL STATEMENTS

DECEMBER 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name White Pigeon Sanitary System	County St. Joseph
Fiscal Year End December 31, 2007	Opinion Date January 30, 2008	Date Audit Report Submitted to State February 4, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

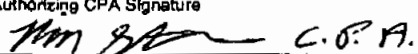
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

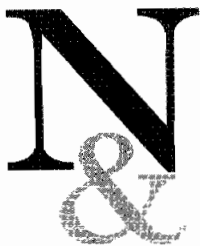
I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	Not applicable	
Certified Public Accountant (Firm Name) Norman & Paulsen, PC		Telephone Number 269-273-8641	
Street Address 123 North Main Street		City Three Rivers	State MI
		Zip 49093	
Authorizing CPA Signature  C.P.A.		Printed Name Rick Strawser CPA	License Number 16951

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INDEPENDENT AUDITOR'S REPORT

Norman & Paulsen, P.C.

Certified Public Accountants

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Members of the Board of the
White Pigeon Sanitary System,
White Pigeon, Michigan

We have audited the accompanying financial statements of the business-type activities of the White Pigeon Sanitary System, White Pigeon, Michigan as of and for the year ended December 31, 2007, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the White Pigeon Sanitary System, White Pigeon, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis beginning on page iii through vii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrold T. Norman (1941-1982)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the White Pigeon Sanitary System's basic financial statements. The schedules of revenues, expenses and reserves for the Collection System and Debt Service, schedule of allocated indebtedness is presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. .

Norman & Paulsen

Norman & Paulsen, P.C.

January 30, 2008
Three Rivers, Michigan

**White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

As management of the White Pigeon Sanitary System, we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended December 31, 2007. The System implemented *Governmental Accounting Standards Board Statement 34: Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* in the year ended December 31, 2004.

Financial Highlights

- The assets of the System exceeded its liabilities at December 31, 2007 by \$6,481,971. Of this amount unrestricted net assets of \$1,228,048 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets decreased by \$174,777.
- The System's total debt obligation is \$455,000 after early retiring \$320,000 of the 1997 Sewer Extension bonds. This is a total decrease of \$430,000 from the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the White Pigeon Sanitary System's basic financial statements. The System's basic financial statements are comprised of 1) government-wide financial statements, 2) proprietary fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

(1) Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the System's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

(2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The System, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The System's maintains one fund categorized as a proprietary fund.

(2a) Proprietary Funds

The System maintains one type of proprietary fund: an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The System maintains one individual enterprise fund. Information is presented separately in the proprietary statements of net assets and proprietary statement of revenues, expenses and changes in fund net assets for the Sewer Operation and Maintenance Fund, which is considered to be a major fund.

(3) Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are found on pages 8 – 16.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on pages 17 - 22. This section includes budgetary comparisons for the proprietary fund.

Governmental-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2007 the System's assets exceeded liabilities by \$6,481,971. By far the largest portion of the System's net assets (78.8%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay the remaining debt of capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

WHITE PIGEON SANITARY SYSTEM'S NET ASSETS

	Business-Type Activities	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$1,384,217	\$1,791,840
Capital assets	<u>5,564,284</u>	<u>5,842,109</u>
Total Assets	<u>\$6,948,501</u>	<u>\$7,633,493</u>
Current liabilities	\$ 86,530	\$ 201,745
Long-term liabilities	<u>380,000</u>	<u>775,000</u>
Total Liabilities	<u>\$ 466,530</u>	<u>\$ 976,745</u>
Net Assets:		
Invested in capital assets, net of related debt	\$5,109,284	\$4,957,109
Restricted for debt service	144,639	211,463
Unrestricted	<u>1,228,048</u>	<u>1,488,176</u>
Total Net Assets	<u>\$6,481,971</u>	<u>\$6,656,748</u>

The unrestricted balance of net assets \$1,288,048 may be used to meet the System's ongoing obligations to customers and creditors.

Analysis of the System's Operations

The following table provides a summary of the System's operations for the year ended December 31, 2007.

SYSTEM'S CHANGES IN NET ASSETS

	Business-Type Activities	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 554,847	\$ 545,883
General revenues:		
Unrestricted investment earnings	<u>21,090</u>	<u>16,005</u>
Total revenues	<u>575,937</u>	<u>561,888</u>
Expenses:		
Public works	<u>750,714</u>	<u>806,834</u>
Increase/ (Decrease) in net assets	(174,777)	(244,946)
Net assets - beginning	<u>6,656,748</u>	<u>6,901,694</u>
Net assets - ending	<u>\$6,481,971</u>	<u>\$6,656,748</u>

**White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Business-type Activities

Business-type activities decreased the System's net assets by \$174,777 accounting for a 2.6% decline in the government's net assets. This decrease was primarily due to depreciation charges to expenditures by the Treatment Plant.

Financial Analysis of the Government's Funds

As noted earlier, the System uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Proprietary Funds

The System's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted nets assets of the Sewer Operation and Maintenance fund declined by \$260,128 to \$1,228,048 during 2007. Factors concerning the finances of these funds have already been addressed in the discussion of the System's business-type of activities.

Capital Assets

The System's investment in capital assets for the year ended December 31, 2007 amounts to \$5,564,284, net of accumulated depreciation. The investment in capital assets includes sewer system improvements and equipment within the Village and Township.

During the current fiscal year the System made no investments in equipment. Additional information on the System's capital assets can be found in Notes 1 and 6 on pages 10 and 13.

Long-term Debt

At the end of the fiscal year, the System had \$455,000 in outstanding general obligation bonds, secured by specific revenue sources. These bonds relate to improvements to the sewer plant and collection system improvements. The System early retired bonds of the 1997 issue in the amount of \$320,000.

**White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Economic Factors and Next Year's Budgets and Rates

The White Pigeon Sanitary System Board has shown fiscal responsibility in its planning for budget and spending practices. Monthly reports of bills for the previous month are submitted to the Council for their approval, additionally, a quarterly financial budget report is provided to Council. Budgets for the 2008 year were done on the following assumptions.

- Revenues remain constant and expenses will increase by the rate of inflation.

Requests for Information

This financial report is designed to provide a general overview of the White Pigeon Sanitary System's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or for additional financial information should be addressed to the following address:

White Pigeon Sanitary System
16220 Indian Prairie Rd.
White Pigeon, Michigan 49099

WHITE PIGEON SANITARY SYSTEM

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	<u>Business -Type Activities</u>
ASSETS	
Cash and cash equivalents (Note 3)	\$ 93,220
Certificates of deposit	806,700
Accounts receivables, net (Note 4)	69,528
Sewer assessments receivable, net	258,859
Prepaid expenses	11,271
Restricted cash and investments(Note 5)	144,639
Capital assets - net	<u>5,564,284</u>
Total Assets	<u><u>\$ 6,948,501</u></u>
LIABILITIES	
Accounts payable	\$ 2,835
Accrued payroll and other liabilities	8,695
Noncurrent liabilities	
Due within one year	75,000
Due in more than one year	<u>380,000</u>
Total Liabilities	<u><u>\$ 466,530</u></u>
NET ASSETS	
Invested in capital assets	
Net of related debt	\$ 5,109,284
Restricted for	
Debt service	144,639
Unrestricted	<u>1,228,048</u>
Total Net Assets	<u><u>\$ 6,481,971</u></u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Business - Type Activities
Business - Type Activities			
Administration	\$ 103,844	\$ -	\$ (103,844)
Collection system	111,217	110,668	(549)
Treatment plant	488,366	-	(488,366)
Interest on long-term debt	38,733	87,449	48,716
Bond discount	8,554	-	(8,554)
Total Business - Type Activities	<u>\$ 750,714</u>	<u>\$ 198,117</u>	(552,597)
General Revenues			
O & M service fees			356,015
Unrestricted investment earnings			21,090
Gain on disposal of fixed assets			-
Miscellaneous revenues			<u>715</u>
Total General Revenues			<u>377,820</u>
Change in Net Assets			(174,777)
Net Assets - Beginning of Year			<u>6,656,748</u>
Net Assets - End of Year			<u>\$ 6,481,971</u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF NET ASSETS PROPRIETARY FUND DECEMBER 31, 2007

	Business - Type Activities
	<u>Sanitary System</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 93,220
Certificates of deposit	806,700
Receivables, net	69,528
Sewer assessments receivable, net	33,370
Prepaid expense	<u>11,271</u>
Total current assets	1,014,089
Noncurrent assets	
Restricted cash and investments	144,639
Sewer assessments receivable, net	225,489
Bond loan fees	-
Capital assets, net	<u>5,564,284</u>
Total noncurrent assets	<u>5,934,412</u>
Total Assets	<u><u>\$ 6,948,501</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 2,835
Accrued payroll and other liabilities	8,695
Current portion of noncurrent liabilities	<u>75,000</u>
Total current liabilities	86,530
Noncurrent liabilities	
Bonds, notes and loans payable	<u>380,000</u>
Total Liabilities	<u><u>\$ 466,530</u></u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM
STATEMENT OF NET ASSETS (CONTINUED)
PROPRIETARY FUND
DECEMBER 31, 2007

	Business - Type Activities
	<u>Sanitary System</u>
NET ASSETS	
Invested in capital assets -	
Net of related debt	5,109,284
Restricted for	
Debt service	144,639
Unrestricted	<u>1,228,048</u>
Total Net Assets	<u><u>\$ 6,481,971</u></u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND FOR THE YEAR ENDED DECEMBER 31, 2007

	Business - Type Activities
	Sanitary System
Operating revenues	
Sewer service fees	\$ 487,768
Sewer connection fees	11,850
Penalties	5,654
Permits	460
Miscellaneous	715
Total operating revenues	506,447
Operating expenses	
Administration	103,844
Collection system	111,217
Treatment plant	488,366
Total operating expenses	703,427
Operating income (loss)	(196,980)
Nonoperating revenues (expenses)	
Interest revenue	69,490
Interest expense	(38,733)
Sale of fixed asset	-
Bond loan program expense	(8,554)
Total nonoperating revenues (expenses)	22,203
Change in net assets	(174,777)
Total net assets - beginning of year	6,656,748
Total net assets - end of year	\$ 6,481,971

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business - Type Activities
	<u>Sanitary System</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 506,321
Payments to suppliers	(252,507)
Payments to employees	<u>(239,089)</u>
Net cash provided (used) by operating activities	<u>14,725</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	-
Proceeds from sewer assessments	47,809
Principal paid on bonds	(430,000)
Interest paid on bonds	<u>(40,825)</u>
Net cash provided (used) by capital and related financing activities	<u>(423,016)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of US Treasury Securities	407,000
Increase in monies held in certificate of deposits	(670,719)
Decrease in restricted cash	66,824
Interest received	68,245
Net cash provided by investing activities	<u>(128,650)</u>
Net increase (decrease) in cash and cash equivalents	(536,941)
Balances - beginning of year	<u>630,161</u>
Balances - end of year	<u>\$ 93,220</u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business - Type Activities
	<u>Sanitary System</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (202,981)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	286,377
(Increase) decrease in assets	
Receivables	5,875
Sewer assessments receivable	786
Prepaid expenses	4,883
Interest receivable	-
Increase (decrease) in liabilities	
Accounts payables	(77,110)
Accrued payroll and other liabilities	<u>(3,105)</u>
Net cash provided by operating activities	<u><u>\$ 14,725</u></u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the White Pigeon Sanitary System conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. White Pigeon Sanitary System adopted GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB 37, as of January 1, 2004. The following is a summary of the significant accounting policies used by the White Pigeon Sanitary System:

A. Reporting Entity

The White Pigeon Sanitary System operates under an appointed six member Board. Operating under an agreement between the Village of White Pigeon and the Township of White Pigeon, the System provides sewer services to certain residents of the Township and all of the residents of the Village.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. The Village of White Pigeon and the Township of White Pigeon are separate governmental units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported in separate columns in the fund financial statements. The Sanitary System has only one fund, an enterprise fund, to report on.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both 'measurable and available'. Revenue is considered to be 'available' if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be 'available' if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds are those through which most of the governmental functions typically are financed.

- a) **General Fund** - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b) **Special Revenue Fund** - The Special Revenue Fund accounts for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities. There are no special revenue funds to report on.

The System has neither of these funds to report on.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, and change in net assets and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Sanitary System - The Sanitary System Fund accounts for revenues generated from charges for sewer services to the residential and commercial users of the System. The Sanitary System fund also recognizes the portion of fees intended to recover connection costs (e.g., labor and materials to hook up new customers) as operating revenue. Another portion of sewer service fees is intended to recover the cost of debt service.

Fiduciary funds are used to account for assets held in a trustee capacity or as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are not included in the government-wide financial statements. The System has no fiduciary funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The System has elected to follow private sector standards issued after November 30, 1989 for its business-type activity.

D. Assets, Liabilities, and Net Assets or Equity

Bank deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of certificates of deposit with initial maturity dates of less than one year.

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and payables - No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	10 years
Buildings and improvements	10 - 40 years
Sewer projects	25 - 50 years
Machinery & equipment	5 - 10 years
Office equipment	5 - 10 years
Software	3 years
Computer equipment	5 years

GASB 34 requires infrastructure acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized. The System has no infrastructure.

Compensated Absences (Vacation and Sick Leave) - It is the White Pigeon Sanitary System's policy to not permit employees to accumulate unused vacation or sick days from year to year.

Long-Term Obligations - In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In prior years the System's financial statements included a separately stated component of fund equity, along with "retained earnings" that reflected capital contributions under the new reporting model, these financial resources flow through the operating statements, and are closed to a single equity account.

Net Assets - In the government-wide financial statements net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available to pay expenditures, it is the System's policy to use restricted resources first, then unrestricted resources as they are needed.

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. At the annual meeting held in December the budget for the calendar year commencing January 1 is presented to assembled residents for their comment before it is given final approval. The Board must approve any revisions of the budgets.

The budget documents present information by function, department and line items. The legal level of budgetary control adopted by the governing body is by function.

In the Required Supplemental Information section of the financial statements, the System's actual expenditures and budgeted expenditures is shown for the proprietary funds. The System incurred less expenditure for all proprietary funds than budgeted in all categories for the year.

NOTE 3 DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local government units to make deposits and invest in the following:

- In certificates of deposit, savings accounts, deposit accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan.
- In bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptance of United States banks.
- In commercial paper rated within the two highest classifications that mature not more than 270 days after the date of purchase.
- In obligations of the State of Michigan or its political subdivisions that are rated as investment grade.
- In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

White Pigeon Sanitary System Board has designated ten banks for the deposit of the System's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bank depository accounts, certificates of deposit, and U.S. Treasury Securities, but not the remainder of State statutory authority as listed above. White Pigeon Sanitary System's deposits and investment policy are in accordance with statutory authority.

At fiscal year end, the System's deposits and investments were reported in the basic financial statements in the following categories:

	Business Type Activities
Cash and cash equivalents	\$ 93,220
Cash - restricted	29,729
Certificates of deposit	806,700
Certificates of deposit - restricted	<u>114,910</u>
Total	<u>\$1,044,559</u>

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

During the year as certificates of deposit matured they were rolled into new certificates.

The bank balance of the System's deposits is \$1,045,768 of which \$900,000 is covered by federal depository insurance and none is collateralized by U.S. Treasury securities held by the pledging financial institution's trust department in the System's name. All of the System's demand deposits and certificates of deposit have a fair market value that is equal to their carrying value

NOTE 4 RECEIVABLES

Accounts receivable are summarized as follows:	<u>2 0 0 7</u>
Village	\$21,940
Township	12,692
Mottville	244
Village Annex	3,896
Fish Lake	3,258
Lagrange County, Indiana	7,414
Delinquent/bankruptcy	<u>20,084</u>
Total accounts receivable	<u>\$69,528</u>

Sewer Assessments Receivable

Customers incurring the initial connection fees had the option of financing the fees over 38 years at an annual interest rate of 6%. At December 31, 2007 the current and long-term portions of the sewer assessment receivable are as follows:

	Beginning Balance	Additions/ Reductions	Receipts	Ending Balance	Due Within One Year	Long Term
Village	\$ 26,249	\$ -	\$ 3,023	\$ 23,226	\$ 2,519	\$ 20,707
Township	58,992	-	8,683	50,309	5,783	44,526
Village Annex	113,404	-	11,792	101,612	13,193	88,419
Fish Lake	<u>108,023</u>	<u>-</u>	<u>24,411</u>	<u>83,612</u>	<u>11,875</u>	<u>71,737</u>
Total	<u>\$306,668</u>	<u>\$ -</u>	<u>\$47,909</u>	<u>\$258,759</u>	<u>\$33,370</u>	<u>\$225,489</u>

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 5 RESTRICTED ASSETS

In accordance with the bond ordinances of the Village and the Township of White Pigeon, the Bond and Interest Redemption Fund, the Bond Reserve Fund and the General Purpose Fund have been established and are restricted in use as specified in the ordinances.

Bond Redemption Reserves	<u>2 0 0 7</u>
Bond Reserve	\$ 128,226
Bond and Interest Redemption	<u>16,413</u>
Total bond reserves	<u>\$ 144,639</u>

NOTE 6 CAPITAL ASSETS

The following summarizes the changes in capital assets for the fiscal year ended December 31, 2007:

Business - Type Activities

	Balance December 31, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2007</u>
Capital assets being depreciated:				
Land improvements	\$ 3,322	\$ -	\$ -	\$ 3,322
Buildings & improvements	130,332	-	-	130,332
Sewer projects	10,865,159	-	-	10,865,159
Machinery & equipment	92,289	-	1,831	90,458
Office equipment	26,399	-	755	25,644
Computer software	<u>12,444</u>	<u>-</u>	<u>-</u>	<u>12,444</u>
Subtotal	11,129,945	-	2,586	11,127,359
Less Accumulated depreciation for:				
Land improvements	927	76	-	1,003
Buildings & improvements	24,625	3,241	-	27,865
Sewer projects	5,177,624	263,420	-	5,441,044
Machinery & equipment	58,523	6,994	1,831	63,686
Office equipment	19,219	2,316	755	20,780
Computer software	<u>6,918</u>	<u>1,778</u>	<u>-</u>	<u>8,696</u>
Subtotal	<u>5,287,836</u>	<u>277,825</u>	<u>2,586</u>	<u>5,563,075</u>
Business - Type Activities				
Total Capital Assets-				
Net of depreciation	<u>\$ 5,842,109</u>	<u>(\$277,825)</u>	<u>\$ -</u>	<u>\$5,564,284</u>

Depreciation expense for 2007 was \$277,825.

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 7 PENSION PLAN

The System maintains a deferred contribution plan that covers all employees starting on their first day of employment who have reached the age of 18. Pension contributions are paid directly to the employees' individual retirement accounts. The employer contribution is 5% of eligible compensation. Employees may not contribute. For the year ended December 31, 2007, the employer contribution was \$8,621.

NOTE 8 LONG-TERM DEBT

Bonds Payable – Village of White Pigeon

Revenue refunding bonds, issued March 23, 1989 by St. Joseph County for the purpose of refunding and retiring certain revenue bonds are payable from the net revenue of the System.

The revenue bond ordinance governing this issue requires deposits to be made each month to the Bond and Interest Redemption Fund for payment of principal and interest on the bonds, a sum equal to at least one-sixth of the interest due on the next ensuing interest due date, and not less than one-twelfth of the principal maturing on the next November 1. The ordinance also requires a Bond Reserve Fund of a minimum of 10% of the original issue or \$45,500.

All of the Refunding Bond which mature on or after November 1, 2003, are subject to redemption at the option of the Michigan Municipal Bond Authority on or after May 1, 2003 in whole or in part, at any time and, if in part, from such maturities as the Authority deems fair, at the respective redemption prices set forth below, plus accrued interest to the redemption date:

Redemption from May 1, 2003 to April 30, 2004	102%
Redemption from May 1, 2004 to April 30, 2005	101%
Redemption from May 1, 2005 and thereafter	100%

No premium shall be paid on bonds or portions thereof called for redemption on or after November 1, 2006.

Bond Payable – Sewer Extension

Limited tax general obligation wastewater system bonds, issued May 19, 1997 by St. Joseph County for the purpose of constructing sewer pipelines and plant improvements are payable from net revenues of the System.

The revenue bond ordinance governing this issue requires deposits to be made each month to the Bond and Interest Redemption Fund for the payment of principal and interest on the bonds at a sum equal to at least one-sixth of the interest due on the next ensuing interest due date and not less than one-twelfth of the principal maturing on the next November 1. The ordinance also requires a Bond Reserve Fund of a minimum of 10% of the original issue or \$140,000.

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 8 LONG-TERM DEBT (CONTINUED)

Bonds of this issue maturing in the years 1998 to 2005, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the years 2006 to 2016, inclusive, shall be subject to redemption prior to maturity, at the option of the County, in such order as the

County shall determine, on any interest payment date on or after November 1, 2005, at par and accrued interest to the date fixed for redemption, plus a premium expressed as a percentage of par, as follows:

Redemption from November 1, 2005 but prior to November 1, 2006, at 100.5% of par value of each Bond.

No premium shall be paid on bonds or portions thereof called for redemption on or after November 1, 2006.

Bond and contractual obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities				
Revenue Refunding Bonds, Series 1989, Village of White Pigeon Sewer System, issued by St. Joseph County on March 23, 1989, \$455,000 bond, varying interest rate, averaging 4.969%, maturing November 1, 2009.	\$ 35,000	(\$ 35,000)	\$ -	\$ -
Limited Tax General Obligation Wastewater System Bonds, issued by St. Joseph County on May 19, 1997, \$1,400,000 bond, 4.6 – 7% interest rate, maturing November 2017.	<u>850,000</u>	<u>(395,000)</u>	<u>455,000</u>	<u>75,000</u>
Total Business-Type Activities	<u>\$ 885,000</u>	<u>(\$ 430,000)</u>	<u>\$ 455,000</u>	<u>\$ 75,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>VILLAGE DEBT</u>		<u>SEWER EXTENSION</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	-	-	75,000	23,475	98,475
2009	-	-	75,000	19,725	94,725
2010	-	-	75,000	15,900	90,900
2011	-	-	75,000	12,038	87,038
2012	-	-	75,000	8,137	83,137
2013	-	-	80,000	4,200	84,200
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455,000</u>	<u>\$ 83,475</u>	<u>\$ 538,475</u>

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 9 RISK MANAGEMENT

The Sewer Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Sewer Authority has purchased commercial insurance for workers' compensation and liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. At year end there are no outstanding claims.

OTHER SUPPLEMENTARY INFORMATION

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Operating revenues				
Sewer Service				
Village	\$ 175,040	\$ 171,885	\$ 172,725	\$ 840
Township	148,900	147,200	148,383	1,183
Annexed Village	31,580	31,570	31,569	(1)
Fish Lake	42,950	42,950	43,586	636
Mottville Township	2,933	2,933	2,933	-
Indiana	88,000	88,000	88,570	570
Connections				
Village	-	650	650	-
Township	-	9,350	11,200	1,850
Fish Lake	-	-	-	-
Penalties				
Village	2,500	4,000	2,850	(1,150)
Township	2,500	4,700	1,385	(3,315)
Annexed Village	2,500	7,220	473	(6,747)
Fish Lake	8,600	7,200	947	(6,253)
Mottville Township	-	-	-	-
Permits				
Village	-	50	50	-
Township	-	250	300	50
Mottville	-	25	25	-
Fish Lake	-	25	25	-
Indiana Stone Lake	-	60	60	-
Miscellaneous				
Village	-	-	715	715
Total operating revenue	505,503	518,068	506,446	(11,622)

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED) PROPRIETARY FUND - SANITARY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Non-operating revenue				
Investment income				
Replacement fund	\$ 3,000	\$ 17,350	\$ 16,105	\$ (1,245)
Village debt	200	1,400	2,367	967
Township debt	2,500	4,400	185	(4,215)
Village Annex debt	700	1,700	2,073	373
Fish Lake debt	5,000	12,850	13,821	971
Expansion fund	2,500	5,150	4,983	(167)
Village collection	100	335	455	120
Township collection	1,000	5,400	9,889	4,489
Annex collection	30	110	89	(21)
Fish Lake collection	500	1,000	1,140	140
Indiana collection	40	90	321	231
Interest on connections				
Village	-	-	1,556	1,556
Township	-	-	3,417	3,417
Village Annex	-	-	6,804	6,804
Fish Lake	-	-	6,285	6,285
				-
Total non-operating revenue	15,570	49,785	69,490	19,705
Available for Appropriations	521,073	567,853	575,936	8,083

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED) PROPRIETARY FUND - SANITARY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Charges to appropriations (outflows)				
Operating expenses				
Administration				
Salaries and wages	\$ 43,200	\$ 43,700	\$ 43,278	\$ 422
Board fees	6,420	8,930	8,930	-
Payroll taxes	4,200	4,350	4,290	60
Health insurance	16,700	11,000	10,990	10
Pension expense	2,160	2,160	2,499	(339)
Supplies and postage	8,600	8,900	8,154	746
Computer services	2,000	2,000	1,942	58
Professional fees	8,500	8,500	7,774	726
Consultants	250	250	-	250
Telephone	2,500	3,000	2,848	152
Printing and publishing	150	150	75	75
Insurance	400	400	272	128
Utilities	1,500	1,600	1,611	(11)
Repair & maint.- equipment	250	300	266	34
Maintenance charges	2,150	1,000	221	779
Repair & maint. - building	500	500	-	500
Rental equipment	1,700	2,300	2,241	59
Bank service charges	70	70	14	56
Misc. administration	300	500	445	55
ACH debiting charges	900	900	943	(43)
Bad debt	100	100	-	100
Total Administration	102,550	100,610	96,793	3,817
Village Collection System				
Salaries and wages	3,730	4,600	4,353	247
Payroll taxes	275	360	336	24
Operating supplies	100	100	77	23
Gasoline and oil	1,100	1,100	887	213
Treatment chemicals	350	350	65	285
Insurance	1,000	900	869	31
Utilities	1,700	1,700	1,523	177
Repairs - equipment	2,500	15,000	4,642	10,358
Repairs - sewer	1,000	1,500	1,385	115
Telephone	300	350	242	108
Vehicle expense	300	300	267	33
Total Village Collection	12,355	26,260	14,646	11,614

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED) PROPRIETARY FUND - SANITARY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Township Collection System				
Salaries and wages	\$ 14,650	\$ 13,500	\$ 11,943	\$ 1,557
Payroll taxes	920	1,000	939	61
Operating supplies	100	100	96	4
Gasoline and oil	2,300	2,300	2,201	99
Treatment chemicals	3,600	3,000	3,632	(632)
Telephone	2,900	3,400	3,021	379
Vehicle expense	600	600	610	(10)
Insurance	3,600	3,300	3,152	148
Utilities	9,300	9,000	8,161	839
Repairs - equipment	17,000	100,000	31,880	68,120
Repairs - sewer	2,000	3,000	1,911	1,089
Total Township Collection	56,970	139,200	67,546	71,654
Annexed Village Collection System				
Salaries and wages	2,230	2,400	2,278	122
Payroll taxes	170	200	177	23
Operating supplies	75	75	73	2
Gasoline and oil	170	170	131	39
Treatment chemicals	250	250	65	185
Telephone	600	600	518	82
Vehicle expense	100	100	37	63
Insurance	680	550	544	6
Utilities	450	450	364	86
Repairs - equipment	500	2,000	562	1,438
Repairs - sewer	200	200	89	111
Total Annexed Village Collection	5,425	6,995	4,838	2,157

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED) PROPRIETARY FUND - SANITARY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Fish Lake Collection System				
Salaries and wages	\$ 3,155	\$ 3,400	\$ 3,210	\$ 190
Payroll taxes	230	270	251	19
Operating supplies	100	100	73	27
Gasoline and oil	240	240	211	29
Treatment chemicals	250	250	65	185
Telephone	500	550	529	21
Vehicle expense	130	100	69	31
Insurance	700	550	544	6
Utilities	800	800	705	95
Repairs - equipment	1,000	1,500	1,469	31
Repairs - sewer	500	500	89	411
Total Fish Lake Collection	7,605	8,260	7,215	1,045
Indiana Fish Lake Collection System				
Salaries and wages	2,810	2,600	2,306	294
Payroll taxes	230	230	180	50
Operating supplies	50	50	73	(23)
Gasoline and oil	250	250	211	39
Treatment chemicals	200	200	65	135
Telephone	500	500	484	16
Vehicle expense	130	100	69	31
Insurance	700	550	544	6
Utilities	800	800	705	95
Repairs - equipment	500	1,500	1,469	31
Repairs - sewer	250	250	89	161
Total Indiana Fish Lake Collection System	\$ 6,420	\$ 7,030	\$ 6,195	\$ 835

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED) PROPRIETARY FUND - SANITARY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Indiana Stone Lake Collection System				
Salaries and wages	\$ 4,100	\$ 4,900	\$ 4,719	\$ 181
Payroll taxes	320	400	366	34
Operating supplies	50	50	73	(23)
Gasoline and oil	500	500	410	90
Treatment chemicals	150	150	65	85
Telephone	3,100	2,700	2,559	141
Vehicle expense	175	100	117	(17)
Insurance	1,400	1,100	1,087	13
Utilities	1,400	1,400	996	404
Repairs - equipment	500	500	297	203
Repairs - sewer	250	250	89	161
Total Indiana Stone Lake Collection System	11,945	12,050	10,778	1,272
Treatment Plant				
Salaries and wages	106,000	100,000	100,117	(117)
Contract labor	500	500	162	338
Payroll taxes	8,400	9,100	8,413	687
Health insurance	28,200	24,000	23,175	825
Pension expense	6,600	6,600	6,122	478
Operating supplies	1,000	1,200	1,068	132
Expendable tools	3,000	3,000	1,544	1,456
Gasoline and oil	1,200	1,200	997	203
Treatment chemicals	10,000	14,000	11,922	2,078
Laboratory supplies	4,500	5,000	4,368	632
Consultants	3,000	3,000	2,773	227
Telephone	2,200	2,700	2,391	309
Vehicle expense	2,700	2,700	1,573	1,127
Insurance	23,000	20,500	20,163	337
Utilities	23,000	23,000	22,496	504
Repairs - equipment	8,000	8,000	3,302	4,698
Repairs - building	1,000	5,500	4,573	927
Equipment lease	500	500	77	423
Miscellaneous	1,500	2,500	2,356	144
Total Treatment Plant	234,300	233,000	217,592	15,408
Total Operating Expenses	437,570	533,405	425,603	107,802

WHITE PIGEON SANITARY SYSTEM

**BUDGETARY COMPARISON SCHEDULE (CONTINUED)
 PROPRIETARY FUND - SANITARY SYSTEM
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Non-operating Expenses				
Bond interest expense	\$ 47,275	\$ 40,525	\$ 38,733	\$ 1,792
Sale of fixed assests	-	-	-	-
Total Charges To Appropriations	<u>484,845</u>	<u>573,930</u>	<u>464,336</u>	<u>109,594</u>
Excess (Deficiency) of Resources				
Over Charges to Appropriations	36,228	(6,077)	111,600	117,677
Beginning of Year Fund Balance	<u>6,656,748</u>	<u>6,656,748</u>	<u>6,656,748</u>	-
End of Year Fund Balance	<u>\$ 6,692,976</u>	<u>\$ 6,650,671</u>	<u>6,768,348</u>	<u>\$ 117,677</u>
Depreciation and amortization expense not budgeted for			<u>286,377</u>	
End of Year Balance as Reported on Proprietary Statement of Revenues Expenses and Changes in Net Assets			<u>\$ 6,481,971</u>	

WHITE PIGEON SANITARY SYSTEM

**SCHEDULE OF REVENUES, EXPENSES AND RESERVES
REPLACEMENT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>
Revenues	
Village sewer service	\$ 142,734
Township sewer service	96,085
Village Annex sewer service	19,611
Fish Lake sewer service	26,060
Indiana sewer service	69,372
Interest income	<u>16,105</u>
Total revenues	369,967
Operating Expenses	
Administration	96,793
Treatment plant	<u>217,592</u>
Total expenses	<u>314,385</u>
Excess of revenues over expenses	55,582
Beginning balance	402,144
Increase (Decrease) by Board action	<u>53,979</u>
Ending balance	<u>\$ 511,705</u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>
Revenues	
Sewer service	\$ 10,442
Penalties	2,850
Investment income	<u>456</u>
Total revenues	13,747
Operating Expenses	
Salaries and wages	4,353
Payroll taxes	336
Operating supplies	77
Gasoline and oil	887
Telephone	242
Vehicle expense	266
Treatment chemicals	65
Insurance	869
Utilities	1,523
Repairs and maintenance	<u>6,027</u>
Total expenses	<u>14,647</u>
Excess of revenues over expenses	(900)
Beginning balance	15,445
Increase (Decrease) by Board action	<u>(15,401)</u>
Ending balance	<u><u>\$ (856)</u></u>

WHITE PIGEON SANITARY SYSTEM

**SCHEDULE OF REVENUES, EXPENSES AND RESERVES
TOWNSHIP COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>
Revenues	
Sewer service	\$ 52,298
Penalties	1,385
Investment income	<u>9,889</u>
Total revenues	63,572
Operating Expenses	
Salaries and wages	11,943
Payroll taxes	939
Operating supplies	96
Gasoline and oil	2,201
Telephone	3,021
Vehicle expense	610
Treatment chemicals	3,632
Insurance	3,152
Utilities	8,161
Repairs and maintenance	<u>33,790</u>
Total expenses	<u>67,545</u>
Excess of revenues over expenses	(3,973)
Beginning balance	118,727
Increase (Decrease) by Board action	<u>(26,565)</u>
Ending balance	<u><u>\$ 88,189</u></u>

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE ANNEX COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>
Revenues	
Sewer service	\$ 4,367
Penalties	473
Investment income	<u>89</u>
Total revenues	4,929
Operating Expenses	
Salaries and wages	2,278
Payroll taxes	177
Operating supplies	24
Gasoline and oil	131
Telephone	518
Vehicle expense	37
Treatment chemicals	65
Insurance	544
Utilities	364
Repairs and maintenance	<u>650</u>
Total expenses	<u>4,788</u>
Excess (Deficiency) of revenues over expenses	141
Beginning balance	2,541
Increase (Decrease) by Board action	<u>(1,926)</u>
Ending balance	<u>\$ 756</u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULES OF REVENUES, EXPENSES AND RESERVES
FISH LAKE COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>
Revenues	
Sewer service fees	\$ 6,356
Penalties	947
Investment income	<u>1,140</u>
Total revenues	8,443
Operating Expenses	
Salaries and wages	3,210
Payroll taxes	251
Operating supplies	24
Gasoline and oil	211
Telephone	529
Vehicle expense	69
Treatment chemicals	65
Insurance	544
Utilities	705
Repairs and maintenance	<u>1,557</u>
Total expenses	<u>7,165</u>
Excess (Deficiency) of revenues over expenses	1,278
Beginning balance	25,682
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u><u>\$ 26,960</u></u>

WHITE PIGEON SANITARY SYSTEM

**SCHEDULES OF REVENUES, EXPENSES AND RESERVES
INDIANA COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>
Revenues	
Sewer service	\$ 19,198
Permits	<u>60</u>
Total revenues	19,258
Operating Expenses	
Salaries and wages	7,025
Payroll taxes	546
Operating supplies	146
Gasoline and oil	621
Telephone	3,043
Vehicle expense	186
Treatment chemicals	130
Insurance	1,631
Utilities	1,701
Repairs and maintenance	<u>1,942</u>
Total expenses	<u>16,971</u>
Excess (Deficiency) of revenues over expenses	2,287
Beginning balance	6,167
Increase (Decrease) by Board action	<u>-</u>
Ending deficit	<u><u>\$ 8,454</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>
Revenues	
Sewer service fees	\$ 19,551
Connections	650
Assessment interest	1,556
Assessment principal	3,023
Investment income	<u>2,367</u>
Total revenues	27,147
Operating Expenses	
Bond interest	3,390
Bond principal	<u>44,547</u>
Total expenses	<u>47,937</u>
Excess (Deficiency) of revenues over expenses	(20,790)
Beginning balance	94,463
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u><u>\$ 73,673</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND RESERVES
TOWNSHIP DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>
Revenues	
Sewer service fees	\$ -
Assessment interest	3,417
Assessment principal	870
Connections	11,200
Investment income	<u>185</u>
Total revenues	15,672
Operating Expenses	
Bond interest	3,111
Bond principal	<u>71,485</u>
Total expenses	<u>74,596</u>
Excess (Deficiency) of revenues over expenses	(58,924)
Beginning balance	107,612
Increase (Decrease) by Board action	<u>(48,688)</u>
Ending balance	<u><u>\$ -</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE ANNEX DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>
Revenues	
Sewer service fees	\$ 8,371
Assessment interest	6,804
Assessment principal	11,792
Connections	-
Investment income	<u>2,073</u>
Total revenues	29,040
Operating Expenses	
Bond interest	10,175
Bond principal	<u>17,483</u>
Total expenses	<u>27,658</u>
Excess (Deficiency) of revenues over expenses	1,382
Beginning balance	58,227
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u><u>\$ 59,609</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULES OF REVENUES, EXPENSES AND RESERVES
FISH LAKE DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>
Revenues	
Sewer service fees	\$ 11,171
Assessment interest	6,286
Assessment principal	24,412
Investment income	<u>13,821</u>
Total revenues	55,690
Operating Expenses	
Bond interest	22,058
Bond principal	<u>296,485</u>
Total expenses	<u>318,543</u>
Excess (Deficiency) of revenues over expenses	(262,853)
Beginning balance	376,693
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u><u>\$ 113,840</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND RESERVES
EXPANSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>
Revenues	
Mottville sewer service	\$ 2,153
Permits	460
Investment income	<u>4,983</u>
Total revenues	7,596
Beginning balance	116,395
Increase (Decrease) by Board action	<u>36,795</u>
Ending balance	<u><u>\$ 160,786</u></u>

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF ALLOCATION OF BOND INDEBTEDNESS
1997 SERIES SEWER IMPROVEMENT BONDS
DECEMBER 31, 2006

YEAR DUE	VILLAGE 12.73%		TOWNSHIP 8.41%		VILLAGE ANNEX 23.31%		FISH LAKE 55.55%		TOTALS 100%	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2008	16,260.00	5,089.38	-	-	29,775.00	9,319.58	28,965.00	9,066.04	75,000.00	40,275.00
2009	16,260.00	4,276.38	-	-	29,775.00	3,915.41	28,965.00	7,617.80	75,000.00	36,525.00
2010	16,260.00	3,447.12	-	-	29,775.00	6,312.30	28,965.00	6,140.58	75,000.00	32,700.00
2011	16,260.00	2,609.74	-	-	29,775.00	4,778.88	28,965.00	4,648.88	75,000.00	28,837.50
2012	16,260.00	1,764.22	-	-	29,775.00	3,230.58	28,965.00	3,142.70	75,000.00	24,937.50
2013	17,357.50	910.56	-	-	31,777.50	1,667.40	30,865.00	1,622.04	80,000.00	21,000.00
	\$ 98,657.50	\$ 18,097.40	\$ -	\$ -	\$ 180,652.50	\$ 29,224.15	\$ 175,690.00	\$ 32,238.04	\$ 455,000	\$ 184,275